



FY2014 2nd Half Business Strategy

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November 5, 2014

FUNAI ELECTRIC CO., LTD.

TSE 6839

1. Summary of 1st Half FY2014 (Apr.-Sep.)
2. 2nd Half (Oct.-Mar.) Macro Outlook
3. Revised Projection of Fiscal 2014 (Full Year)
4. Future Growth Strategy
5. Business Portfolio Restructuring
6. Plant Site Optimization

1. Summary of 1st Half FY2014 (Apr.-Sep.)



(100 million yen)

	FY2013 1 st Half	Forecast 1 st Half	FY2014 1 st Half
Net Sales	1,205	→ 937	→ 1,158
Operating Income (Margin)	5 (0.5%)	→ 5 (0.5%)	→ 13 (1.2%)
Average USD-JPY Exchange Rate	98. ⁶⁴	100. ⁰⁰	103. ⁶¹

Summary

Operating Income increased, but Net Sales declined on YoY.
 The shipment of LCD-TV for the US major distributors was good.
 Revenues in ink cartridges increased, but lowered in printers.

Economic Trends

- US : A recovery trend. Still a robust and stable situations are seen continuously. The Yen is weakening against the US dollar. However it is necessary to be vigilant for future risks, as “geopolitical risks” such as Ukraine, China and ISIS, will be bad influence on the exchange and the U.S. economy.
- Europe : The market is stagnant, reflecting worsening of the situation in the Ukraine.
- Japan : The economy is sluggish because of factors including a reaction to last-minute demand ahead of the consumption tax increase and the impact of bad weather.
- Emerging Markets : China’s economy slowed due to factors including deterioration in the housing market.

Industry Trends

- In US, the sales of larger-screen LCD TVs keep growing although coming up to the surface that bipolar of TV-brands segmentation. Thus, 4K TV market remain in wait-and-see mode.
- The printer market is mature in advanced countries. Decline in the price of supplies. In emerging markets, the risk of further price erosion due to spreading of low price products.

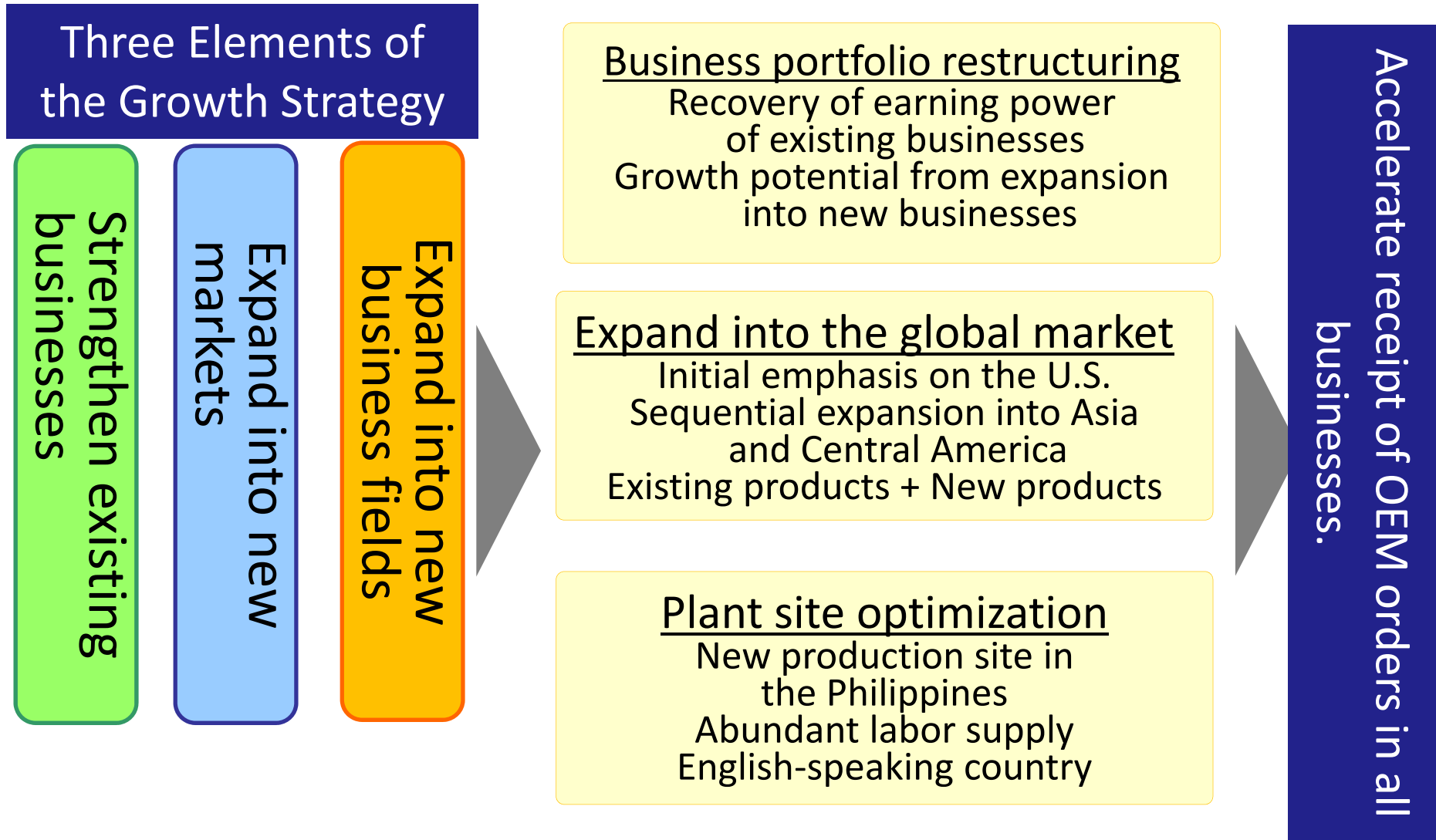
3. Revised Projection of Fiscal 2014 (Full Year)

(100 million yen)

	Forecast (2014/5/13)	New Forecast (2014/11/4)	Net Change
Net Sales	2,000	2,030	+30
Operating Income (Margin)	5 (0.3%)	5 (0.2%)	— —
Average USD-JPY Exchange Rate	100. ⁰⁰	102. ⁸⁰	

- Revised up for the net sales forecast FY2014, reflecting the performance of the first -half FY2014.
- Remains the previous forecast for operating income. Because the U.S. economy in the first six months of the year was good, however, retail sales are below the last year level in recent measures. So, we now see the outlook for the second-half business environment remains uncertain, still need to be carefully watching.

4. Future Growth Strategy



5. Business Portfolio Restructuring

Sales by Product

■ Existing Businesses — Audio Video Equipment

Income improvement by the timing of launch even in growth markets , with further cost reduction.

■ New Business — Printer Business

To Meet in each market needs, as follows

- Ink cartridges technology into B2B and newly build business.
- Mechatronics products have been good at Japanese makers.

Sales by Region

In U.S. sales, utilize close business relationship with major mass merchandiser.
Sales expansion in Asia and Central and South America is a challenge.

Further Enhancement of Televisions

Timely reflection in products of functions required in the market

Adding High Value

- Introduction of super large-size TVs 60 inches and up
- Also consider 4K TVs

Response to Networking

- Strengthening of the response to networking content
- Increased smartphone and tablet compatibility

Global Response

- Specifications that match the preferences of sales territories
- Response to conversion to terrestrial digital broadcasting in developing countries



■ More Brand Variety for customers in North America.

 Emerson.



Magnavox



Philips



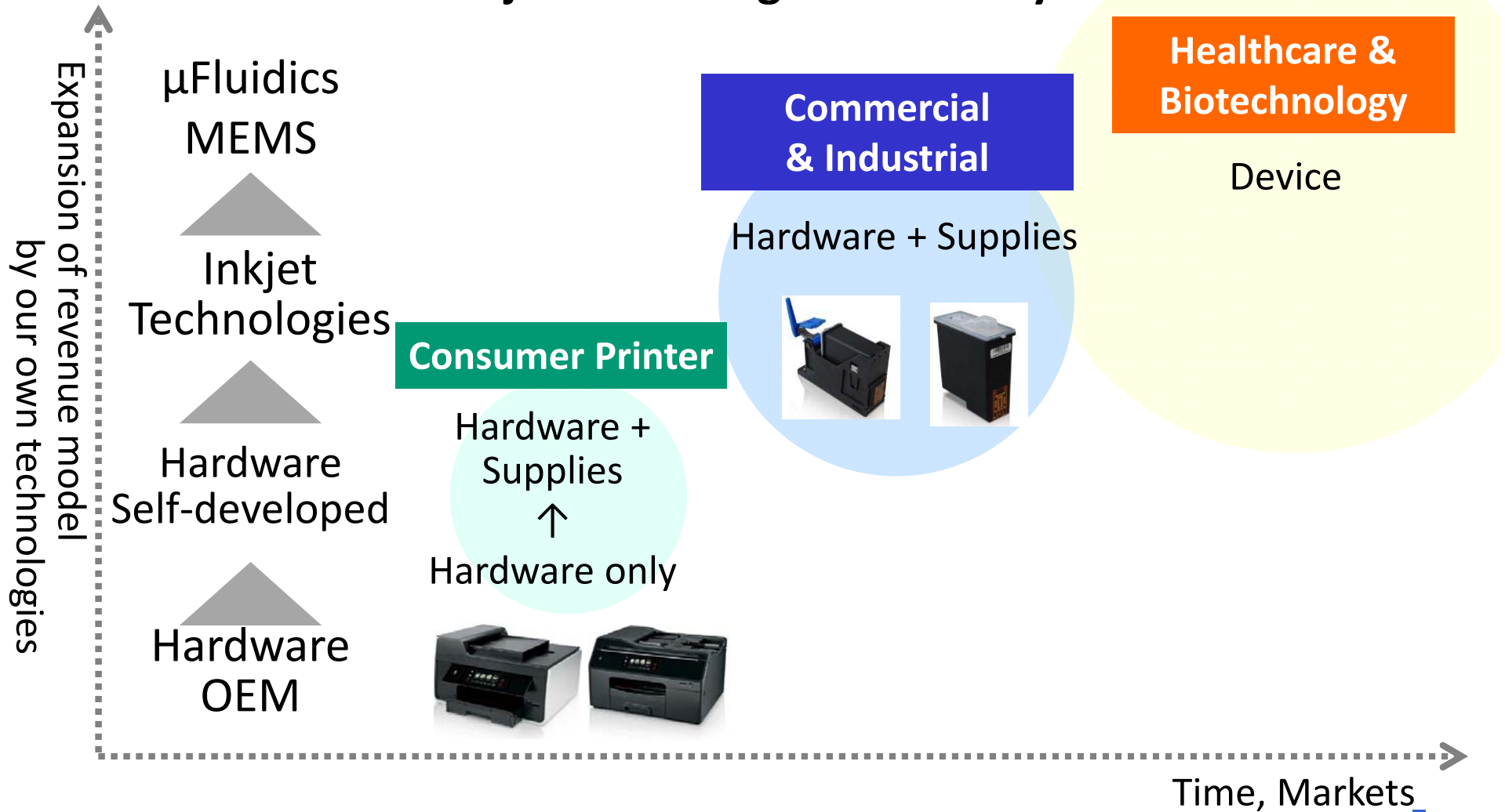
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Brand-alliance of Sanyo's North American TV Business.

SANYO-branded TVs will be scheduled for launch around next March.

■ **For Medium and Long-term revenue,
To Use Inkjet Technologies for Newly Build Businesses.**



5-c). Expand into New Business Fields

- Aim to make each new business a 10 billion yen business in FY2018.
- Enter growth markets by applying our technologies to new-product development.

Wireless transmission design technologies
Power circuit design technologies
Mechanical design technologies
Software design
Optical disc device technologies

Wireless Charging

Participation in A4WP
High transmission efficiency
⇒ Freedom of installation
Non-contact charging



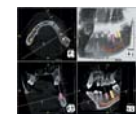
In-Vehicle Displays

ISO/TS16949
(Automotive)
certification acquired
(Chugoku Funai Electric, 2009)



Healthcare/Medical

Studying the possibility of entry with partners.
By applying our technologies.



6. Plant Site Optimization

Optimization of plant sites in response to changes in the business environment and labor environment

■ **China** Concentration into 1 plant
(Huang Jiang –consignment plant)

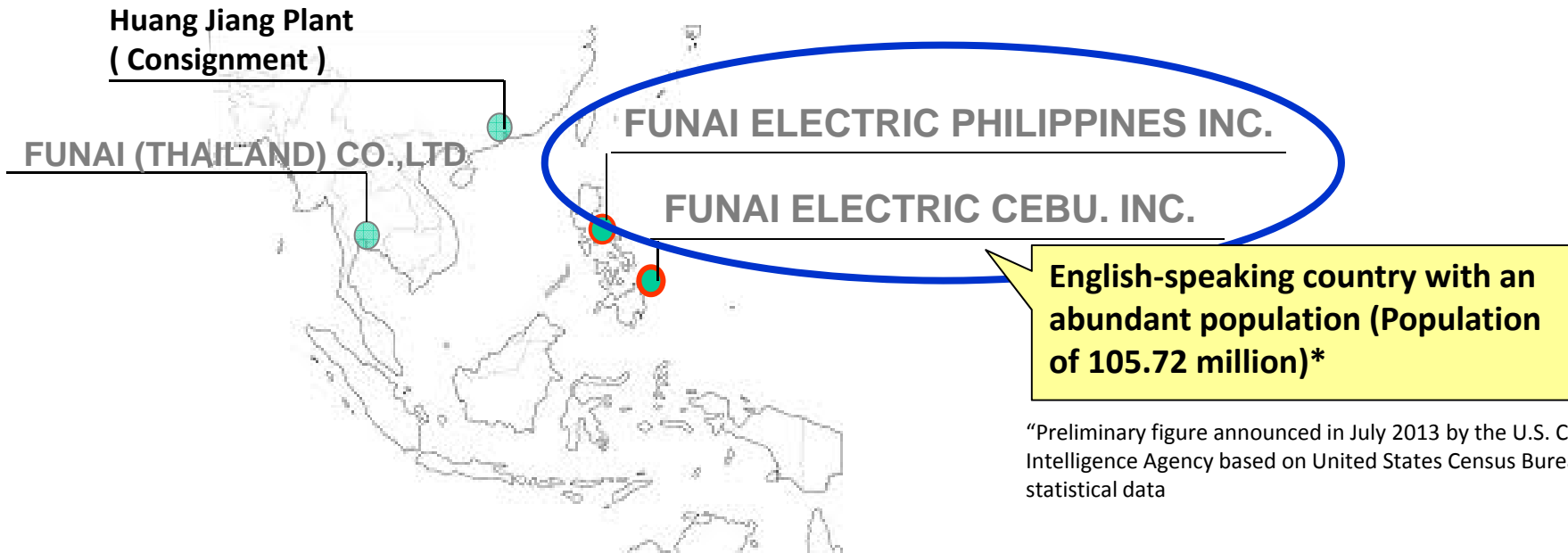
■ **Thailand** July 2013 expansion of the No. 3 Plant

■ **Philippines** Cebu Plant ... Ink cartridges
Philippines Plant ... Printers

TVs / DVDs / BDs / **Printers**

Production site for products For Asia in the main TV plant

A view to production of post-AV products at the main printer plant



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